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New England Economy Improving, But Slow, Weak Recovery Forecast

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BOSTON, MA – Conditions in the U.S. economy still dominate the New England economic outlook. As in the nation, the regional economy is showing some signs of improvement, but the outlook is for a slow and weak recovery from the recession, according to Ross Gittell, James R. Carter Professor of Management at the University of New Hampshire.

Gittell released his spring 2009 economic forecast at the New England Economic Partnership fall economic outlook conference, "Re-energizing the New England Economy: The Role of the Green Revolution," at the Federal Reserve Bank of Boston today, Tuesday, Nov. 10, 2009. He is the partnership's vice president and New England forecast manager. In addition to Gittell's forecast, the partnership released new economic forecasts for the United States and each of the six New England states.

According to Gittell:

1. The region is expected to lose more than 400,000 jobs by the end of the decline in the second half of 2010, or 5.8 percent of employment. The New England decline is expected to be similar to the U.S. decline (5.3 percent) in percentage terms and duration.
2. The unemployment rate in the region is expected to peak at 9.4 percent in the third quarter of 2010. The expected peak is below the U.S. average.
3. Among the New England states, Rhode Island is expected to have the highest unemployment peak at just more than 14 percent. Rhode Island has the third-highest unemployment rate in the nation currently.
4. New Hampshire is expected to have the lowest unemployment peak in the region at 7.8 percent.
5. New Hampshire and Maine are the only New England states expected to have below the U.S. average decline in employment.
6. The peak-to-trough decline in the region in median housing prices is expected to be 24 percent. This is less than the forecast peak-to-trough decline in the nation of 35 percent.

"The region's unemployment rate is expected to remain below the national average throughout the forecast period, mainly due to a relatively slow-growing population and labor force and the relatively high level of educational attainment in the region," Gittell said.

In the recovery, health and educational services in the region is expected to account for just under one of every three jobs gained from 2010 to the middle of 2013. The other leading sectors in employment recovery in the region are expected to be professional and business services, leisure and hospitality, trade, transportation and utilities and high technology.

"As the region comes out of the recession many are asking what will be the next significant growth engine for the New England economy. After the early 1990s recession, technology growth led the region out of the recession. After the early 2000s recession, strong housing and consumer markets helped the region recover. Now a question is whether or not there will be a new engine of growth for the region coming out of the 2008 to 2010 recession," Gittell said.

A potential sector is the so-called "green economy," he said.

"While it does not appear that the region can depend on the green economy as the next big single growth engine, the green economy is an area of significant opportunity. This is especially true if green economy development efforts are tied to regional technological strengths and if the region addresses in a significant way its relatively high concentration of older buildings that could benefit from weatherization and energy efficiency improvements," Gittell said.

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